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STEAM SUPPLY AGREEMENT (Portland, Oregon)

THIS STEAM SUPPLY AGREEMENT (the "Agreement"), dated for reference purposes only this ____ day of July, 2001, is by and between McCALL PROPERTIES LLC, a Washington limited liability company ("McCall") and QUADRA CHEMICALS, INC., a Delaware corporation ("Quadra").

RECITALS

A. McCall is the owner of certain real property commonly known as 5480 NW Front Avenue, Portland, Oregon (the "McCall Parcel"). The McCall Parcel is improved with, among other items, a boiler used to generate steam.

B. Pursuant to a lease dated June 15, 2001 between GWC Properties, Inc. as Landlord and Quadra as Tenant, Quadra leases certain adjacent real property commonly known as 5540, 5700 and 5724 NW Front Avenue, Portland, Oregon (the "Quadra Parcel").

C. Quadra desires to acquire steam from McCall on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, for valuable consideration, the parties hereto agree as follows:

1. *Definitions.*

1.1 *Boiler.* The gas furnaces and boiler equipment located on the McCall Parcel used to generate Steam.

1.2 *Steam.* The process steam supplied by McCall to Quadra pursuant to this Agreement.

2. *Delivery and Acceptance of Steam.*

2.1 *Basic Steam Supply.* McCall shall sell and Quadra shall purchase Steam for a period commencing on the date first set forth above and continuing thereafter until the end of the Term.

3. *Operating Services.*

3.1 *Performance of Operating Services.* McCall shall be responsible for performing Operating Services in a reasonable and timely manner.

3.2 *Description of Operating Services.* Operating Services shall consist of all services reasonably necessary to manage the operation of the Boiler. Operating Services shall include, but not limited to, the following:

- a. Supplying personnel to operate and monitor the Boiler;
- b. Providing maintenance and repair services and parts and supplies, necessary to keep the Boiler in good operating condition; and
- c. Performing or providing all other daily operational, maintenance, ash disposal, and support services, including parts and supplies, and utilities reasonably necessary for operation of the Boiler.

4. ***Steam Price; Payment.***

4.1 ***Price.*** Quadra will pay the same proportion of McCall's actual cost in producing the Steam, as the Steam delivered to Quadra bears to the total Steam produced by McCall. Those payments shall commence in the first day of _____, 2001 (for the period of _____, 2001 through _____, 2001).

4.2 ***Terms of Payment.*** Each month, McCall shall deliver to Quadra an invoice, by the 10th day of each month, indicating the sum due from Quadra for Steam provided during the previous month. Each invoice shall be due and payable in full by Quadra within 20 days of receipt of a correct invoice. Any amount not timely paid shall bear interest at the rate of twelve percent (12%) per annum from the date due until payment is made in full.

5. ***Termination of Agreement.***

5.1 ***Termination.*** Anything in this Agreement to the contrary notwithstanding, this Agreement may be terminated upon any of the following events:

- a. by mutual written consent of McCall and Quadra;
- b. upon written notice from either party to the other if such other party has become insolvent or is subject to proceedings under any law relating to bankruptcy, insolvency or the relief of debtors, other than an involuntary petition in bankruptcy which is dissolved within sixty (60) days after the commencement thereof;
- c. upon written notice from McCall to Quadra if Quadra has failed to make any payment due hereunder which is not reasonably in dispute within twenty (20) days after delivery of written notice from McCall to Quadra that such amount is past due;
- d. upon written notice from either party to the other if such other party has breached any material term of this Agreement and such breach has not been remedied within twenty (20) business days following the delivery of written notice to such other party specifying such breach; or
- e. upon written notice from either party to the other if a party reasonably determines that, due to changes in or the application of federal, state, or local laws or regulations, it is illegal, impractical or cost prohibitive to continue to perform under this

Agreement, or if a party reasonably determines that it is impractical or cost prohibitive to utilize the Boiler due to excessive repair and maintenance costs, equipment breakdown, inadequate equipment performance, or otherwise.

5.2 **Effect of Termination.** If this Agreement is terminated pursuant to Section 5.1, then all obligations of the parties hereunder shall terminate, except for obligations which may become due and payable in respect to Steam furnished by McCall prior to termination. No failure or delay on the part of the parties hereto to exercise any right, power or privilege hereunder shall operate as a waiver, nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

6. **Notices.** All notices pertaining to this Agreement shall be given in writing to the representatives indicated below (or as may otherwise be designated in writing by either party) delivered personally or sent by express or certified mail, postage, prepaid, or faxed with a hard copy mailed at the following addresses:

McCall: McCall Properties LLC
808 SW 15th Avenue
Portland, Oregon 97205
Attention: Robert H. McCall

Quadra: Quadra Chemicals, Inc.
13801 Reese Blvd., West
Suite 190
Huntersville, North Carolina 28708

7. **Miscellaneous; Agreement; Amendments.**

7.1 **Entire Agreement.** This Agreement represents the entire agreement between the parties concerning the purchase and sale of Steam between the parties and supersedes all prior negotiations, representations, and agreement, whether written or oral.

7.2 **Amendment.** This Agreement may be amended or modified only by a written instrument signed by the respective authorized representatives of McCall and Quadra.

7.3 **Term.** The Term of this Agreement shall commence upon the execution hereof, and shall continue until July 31, 2002 or until such earlier date, if any, on which this Agreement is terminated pursuant to Section 5.1.

7.4 **Severability.** If any provisions of this Agreement or any remedy provided herein is found to be invalid, illegal, or unenforceable in part or in whole under any applicable law, such provisions or remedy, or portion thereof, shall be inapplicable and deemed omitted from this Agreement, but remaining provisions shall continue in full force and effect.

7.5 **Governing Law.** This Agreement shall be governed by and interpreted under the laws of the State of Oregon.

7.6 **Successors and Assigns.** Quadra may not assign its rights under this Agreement without the prior written consent of McCall, which consent shall not be unreasonably withheld or delayed.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first above written.

McCall:

McCALL PROPERTIES LLC

By: _____
Its: _____

Quadra:

QUADRA CHEMICALS, INC.

By: [Signature]
Its: CHAIRMAN & CEO

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